



The President's Daily Brief

July 16, 1974



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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 16, 1974

PRINCIPAL DEVELOPMENTS

Soviet defense spending is estimated to have grown by more than 5 percent in 1973. Such an increase may also occur in 1974 and 1975 and will be due primarily to modernization of the Strategic Rocket Forces. (Page 1)

Archbishop Makarios appears to have survived the coup on Cyprus, but he has been replaced as president by Nicos Sampson, a right-wing publisher who espouses union with Greece. The Turkish community appears to have been largely uninvolved in the fighting. The Soviets have indicated they will back Makarios if he is alive, or a resistance movement if he is dead. (Page 2)

Ailing Prime Minister Souvanna of Laos has instructed his two deputy prime ministers to avoid action on important issues. (Page 3)

NATO allies in the EC may resist, at the North Atlantic Council meeting tomorrow, some aspects of a US proposal to review the Western position toward the conference on European security. (Page 4)

Finance Minister Fukuda resigned this morning, probably as part of an effort to bring down Prime Minister Tanaka. (Page 5)

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[redacted] Soviet [redacted]
[redacted] Page 6.

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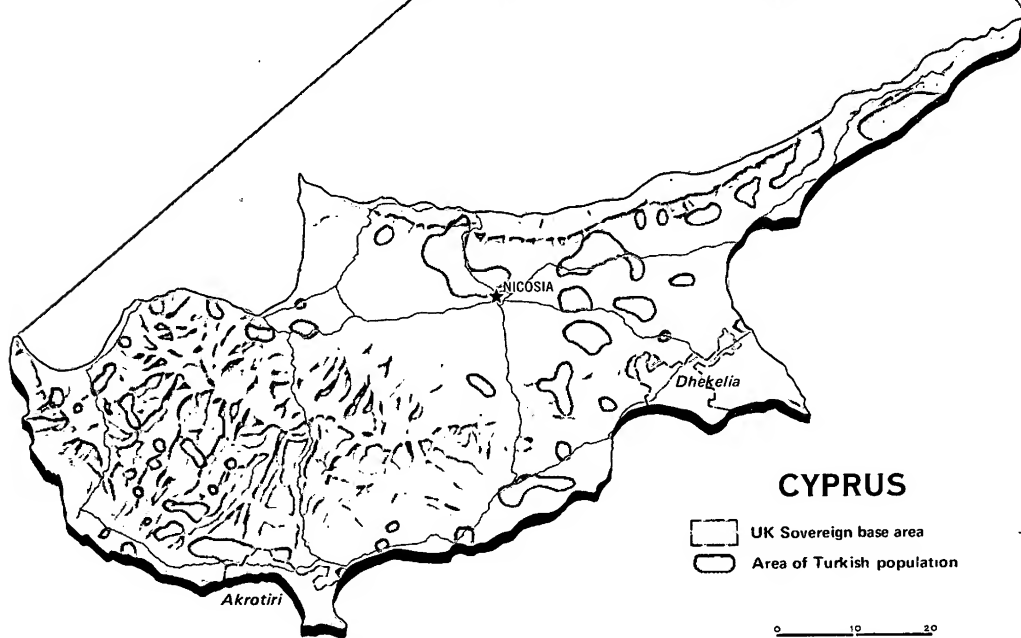
Soviet defense spending is estimated to have grown by more than 5 percent in 1973. Increases almost as large may occur in 1974 and 1975. Such rates are substantially above the average annual growth of less than 3 percent since 1960.

Soviet defense expenditures (not including "civilian" space programs) will probably total about 25.5 billion rubles in 1974. The cost of such an effort in US terms would be approximately \$93 billion.

The increase in spending from 1972 to 1975 is due primarily to extensive modernization programs of the Strategic Rocket Forces. The Soviets are replacing a large number of the SS-11s with an improved version. In addition, over the next several years the Soviets are expected to begin replacing the SS-9s, the remainder of the SS-11s, and SS-13 missiles. These programs will triple expenditures for new weapons for the Strategic Rocket Forces in 1974 over those of 1972. Expenditures are expected to remain high throughout the decade.

Although the size of the developmental effort now under way in the USSR is striking, the general pattern of spending since 1970 is consistent with past cycles of Soviet defense spending. For example, Soviet defense expenditures grew rapidly in the second half of the 1960s with the deployment of the SS-9 and SS-11 systems. Total defense spending then stabilized in 1970-72 with the completion of these programs, despite a rapid expansion in research and development for the follow-on missile systems. Expenditures are expected to begin leveling off again in about 1976 at a plateau some 7 percent above present spending. For the 1970s as a whole, estimated expenditures for Soviet defense are expected to grow at about the long-run historical average.

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CYPRUS

The Greek power grab in Cyprus apparently failed to achieve its basic objective, the elimination of President Makarios. A number of reports indicate the archbishop is in Paphos, in the western part of the island. He has been replaced as president by Nicos Sampson, a right-wing publisher and parliamentarian. Sampson will not be popular on Cyprus or in Turkey. Sampson is remembered widely for his murderous exploits during the uprising against British authority in the 1950s. He is devoted to the union of Cyprus with Greece.

Fighting between the Greek-officered National Guard and forces loyal to Makarios reportedly ebbed last night.

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Turkey's National Security Council met yesterday. No action has yet been announced by Prime Minister Ecevit. Turkey, like Greece and the UK, is a "guarantor power" of Cyprus and has the right unilaterally or collectively with the others to preserve the status quo on the island.

The British government has expressed grave concern about the situation to Athens and Ankara and stressed its implications for the stability of the eastern Mediterranean and the cohesion of the Atlantic Alliance.

Moscow last night broadcast a statement cautioning Athens to stop interfering on Cyprus, but avoiding any threats. Tass reported Soviet demarches to Washington, London, and Paris, indicating that the Soviets expect the West to help resolve the situation. The statement clearly showed the Soviets would support President Makarios' return to power if he is alive, and implied that Moscow would back an opposition movement if Makarios is dead. The large, well-organized Cyprus Communist Party would form an obvious base for such a movement.

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LAOS

Ailing Prime Minister Souvanna has instructed his two deputy prime ministers to make only day-to-day decisions and avoid action on important issues.

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NATO-CSCE

NATO allies in the EC are likely to resist some aspects of the US proposal to review the Western negotiating position in the CSCE talks when it is discussed at the North Atlantic Council meeting on July 17. [redacted] last week the Nine EC political directors agreed:

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--to avoid the appearance of a bloc-to-bloc approach in the negotiations;

--to begin the current review of Western positions in Geneva, the site of the security talks, rather than at NATO headquarters in Brussels.

The Nine political directors also were inclined to agree that the decision to hold the CSCE's final stage at the summit level should depend on the general state of East-West relations at the end of the current stage of the conference, as well as on a satisfactory outcome of this stage.

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JAPAN

Japan's finance minister Takeo Fukuda resigned this morning, throwing the Tanaka government into political turmoil. According to a late Japanese press report, the announcement came after Prime Minister Tanaka and Fukuda met privately but failed to resolve their differences.

Fukuda, a long time aspirant to the prime ministry and an important factional leader in the ruling Liberal Democratic Party, has been sharply critical of Tanaka's handling of the recent upper house election campaign, from which the party emerged with only a bare majority.

Fukuda's resignation almost certainly will force a major shakeup of the cabinet [redacted]

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[redacted] One of the three Fukuda faction members in the cabinet--State Minister Hori--also resigned today and the other two may well be planning similar actions. [redacted]

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Former deputy prime minister Miki has recently resigned [redacted]

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NOTE

USSR: Six Soviet minesweepers and five
auxiliaries--elements of the Soviet mine-clearing
group--entered the Egyptian Red Sea port of Hurchada
on Sunday. [REDACTED]

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